



State of Connecticut

Office of Consumer Counsel

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Raised Bill No. 1141, AAC Net Metering
Testimony of Mary J. Healey, Consumer Counsel
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The Office of Consumer Counsel (OCC) has carefully reviewed Raised Bill No. 1141, *An Act Concerning Net Metering*, and opposes the bill as written. Although the bill is titled such that the topic is listed as "net metering," the actual topic is "virtual net metering." The bill would require the electric distribution companies to provide virtual net metering to customers. Under "net metering," the electricity generated by a customer at a certain location is netted from the electricity purchased through the electric distribution company. Under "virtual net metering," any excess electricity generated by a customer could be accounted for and benefit any other designated customer or location in the service territory. The trouble arises because transmission and distribution charges are partially volumetric, so "virtually" reducing the amount of electricity used at a location diminishes the utility's cost recovery of valid transmission and distribution charges, and ultimately all or most of those foregone charges would be shifted to other customers.

As an aside, OCC notes that it has been in contact with some virtual net metering supporters, and is aware that they are working hard to try to reduce or eliminate the cost-shifting impacts of virtual net metering on the general class of ratepayers. OCC would be glad to further negotiate and explore these issues, but the present bill, as OCC reads it, does not resolve or reduce the cost shift. Therefore, OCC opposes the present language of the bill.

A similar virtual net metering bill was considered last year (Raised Bill No. 5364 (2010)) and did not pass. In the interest of efficiency, much of what follows is a reiteration of OCC's testimony from last year.

Before talking further about virtual net metering, OCC would like to make two preliminary, important points. One, as mentioned above, distribution charges for CL&P and UI continue to be partially volumetric, and transmission charges for both are volumetric. Two, the net metering provision in present law, Conn. Gen. Stat. § 16-243h, is *already* a subsidy. To understand why, consider a customer of CL&P (customer X) with a solar system at location A. Now let us say that the solar system is sized so that it produces more electricity than customer X needs during a sunny, mid-day hour. If the solar panel produced 1,000 kilowatt-hours ("kWh") a month and customer X's use at location A equals 1,000 kWh a month, then customer X would have no volumetric distribution and transmission charges at location A under existing 16-243h. This would be so even though during nights or cloudy days, customer X certainly was using the distribution and transmission system of

CL&P to meet its power needs. The distribution and transmission system charges not paid by customer X would then be shifted to other ratepayers as part of the transmission adjustment clause of 16-19b(d), and/or as part of a decoupling adjustment in rates, and/or to some degree in the next CL&P rate case.

Virtual net metering would expand the subsidy. To provide a simplified example of how virtual net metering works, consider the same CL&P Customer X, with solar panels owned by customer X at location A, and with customer X also owning a second location (location B) with no solar panels. If the electricity needs are met at location A by the solar panels in a given month with some electricity left over, virtual net metering would require that the utility allow location A's excess to count against the electricity usage at location B.

Continuing this example, let us say that location A had 600 kWh of usage in a given month which was all "met" with the solar panels (remember solar panels don't operate all the time, so not all of the usage at location A was truly met by solar), and that the solar panels produced an extra 400 kWh of usage in the month, and that Location B (where the solar panels are not located) also had 400 kwh of usage.

Location A	Solar Panels at Location A	Location B
600 kwh of monthly usage	1,000 kwh of monthly production.	400 kwh of monthly usage

In this situation, under virtual net metering and our reading of the proposed bill, Location B would get an electricity bill for zero kilowatt-hours of usage, as the extra 400 kwh of output from the solar panels at Location A would "virtually" cover Location B's load. What this means is that Location B would be relieved of not only any electric generation charges, but also of any volumetric transmission and distribution charges, since, again, the volume used in my example is calculated to be zero under virtual net metering. However, not one thing changed about how CL&P provided 400 kwh of distribution and transmission service to Location B. CL&P ensured that Location B had reliable power for the whole month, such that the customer could use the 400 kwh at Location B. In the long run, if this bill passes, other customers would have to pay for the revenue shortfall from all of the "Location Bs." Since this bill creates a subsidy paid for by the general class of ratepayers and the subsidy has no clear cap, OCC is concerned about the rate impact.

Now, if the cost shifting to the general class of ratepayers was eliminated or significantly reduced, virtual net metering might have more appeal. One way to eliminate cost shifting might be to have virtual net metering apply only to the energy (generation) portion of the customer bill, which, is our understanding, is the method used in California. Even if the cost shift were eliminated, we would need to develop some reasonable geographic limitations on virtual net metering. This bill would allow virtual net metering credits to be shared across a utility's entire service territory. A better approach may be to limit sharing of virtual net metering credits to accounts in close proximity to the Class I renewable source. The further one gets away from the electricity source, the less justified would be the sharing of virtual net metering credits.

In sum, OCC opposes the bill as written, but would be happy to work with proponents to improve the proposal.